

No. 15059

IN THE

United States Court of Appeals  
FOR THE NINTH CIRCUIT

---

PANAVIEW DOOR & WINDOW CO., a corporation,

*Appellant,*

*vs.*

REYNOLDS METALS COMPANY, a corporation,

*Appellee*

---

On Appeal From the United States District Court for the  
Southern District of California, Central Division.

Hon. Wm. C. Mathes, Judge.

---

BRIEF FOR APPELLANT.

---

MAHER & FORD,  
Thomas P. MAHONEY,  
Percival H. FORD,

1707 West Eighth Street,  
Los Angeles 17, California,  
*Attorneys for Appellant.*

FILED

CLERK - 9-195

RECEIVED - 9-195



## TOPICAL INDEX

	PAGE
Introduction .....	1
Jurisdictional statement .....	1
Statement of the case.....	2
Specification of errors.....	8
Summary of argument.....	9
Argument of case.....	10
I.	
The printed paragraph providing for a die charge for dies constructed specifically and solely for appellant clearly applied to the die charges, listed elsewhere in the contract.....	10
II.	
If ambiguous, the contract, drafted by appellee should be construed in favor of appellant.....	15
III.	
A property right existed in appellant because of its creation of original designs for sliding doors submitted in confidence to appellee .....	25
IV.	
Confidential relationship may be implied from the acts of the parties and no express agreement need be made.....	28
V.	
The public sale of articles made in accordance with confidential drawings did not destroy the confidential relationship between the parties as to such drawings.....	30
VI.	
The essence of the wrong done by appellee lay in its breach of trust and misuse of confidential information submitted to it by appellant for its own profit.....	35
VII.	
Appellee unfairly competed by using confidential information to alienate appellant's customer and to engage in the sale of aluminum sliding door parts of appellant's design in competition with appellant.....	39
Conclusion .....	39

## TABLE OF AUTHORITIES CITED

CASES	PAGE
Ackerman v. General Motors, 202 F. 2d 642.....	29, 36
A. O. Smith Corp. v. Petroleum Iron Works Co., 73 F. 2d 531....	27
Balfour v. Fresno Co., 109 Cal. 221, 41 Pac. 1062.....	15
Board of Trade v. Christie Grain & Stock Co., 198 U. S. 236, 25 S. Ct. 637, 49 L. Ed. 1031.....	31
Booth v. Stutz Motor Car Co., 56 F. 2d 963.....	29
Burdon Cent. Sugar Co. v. Payne, 167 U. S. 127, 175 S. Ct. 754, 42 L. Ed. 105.....	14
Consolidated Boiler v. Bogue Elec. Co., 141 N. J. Eq. 550, 55 A. 2d 759.....	29
Frank v. Wiltschek, 209 F. 2d 493.....	32
Herold v. Herold China Co., 257 Fed. 911.....	26
Hill v. Fed. Trade Com., 124 F. 2d 104.....	25
Hoeltke v. G. M. Kemp. Mfg. Co., 80 F. 2d 912.....	28
Holley v. Hunt, 13 Cal. App. 2d 335, 56 P. 2d 1240.....	26
John T. Lloyd Lab., Inc. v. Lloyd Bros. Pharm., 131 F. 2d 703	27
Ladd v. Ladd, 8 How. 10, 12 L. Ed. 967.....	15
Larson, Jr. v. Wrigley, Jr. Co., 253 Fed. 914.....	24
Morrison v. Woodbury, 105 Kan. 617, 185 Pac. 735.....	27
Neal v. Clark (Scruggs), 95 U. S. 704, 242 L. Ed. 586.....	14
O'Brien v. Miller, 168 U. S. 287, 18 S. Ct. 140, 42 L. Ed. 469....	14
Pressed Steel Car Co. v. E. Ry. of Minn., 121 Fed. 609.....	13
Pringle v. Wilson, 156 Cal. 313, 104 Pac. 316, 24 L. R. A. (N. S.) 1090 .....	12
Sketchley v. Lipkin, 99 Cal. App. 2d 849, 222 P. 2d 927.....	33
Smellie v. So. Pac. Co., 212 Cal. 540, 299 Pac. 529.....	24
Smith v. Dravo Corp., 203 F. 2d 369.....	29, 34
Sunbeam Furn. Corp. v. Sunbeam Corp., 191 F. 2d 141.....	39
Tabor v. Hoffman, 118 N. Y. 30, 23 N. E. 12.....	33
Winfield v. Charles, 77 Cal. App. 2d 64, 175 P. 2d 516.....	39
Woodbine v. Van Horn, 29 Cal. 2d 95, 173 P. 2d 17.....	22

	STATUTES	PAGE
Civil Code, Sec. 1641.....	13	
Civil Code, Sec. 1643.....	12	
Civil Code, Sec. 1647.....	22	
Civil Code, Sec. 1654.....	16	
Civil Code, Sec. 3542.....	12	
Code of Civil Procedure, Sec. 1860.....	22	
United States Code, Title 28, Sec. 1291.....	2	
United States Code, Title 28, Sec. 1332.....	1	

#### OTHER AUTHORITIES

13 Corpus Juris, p. 532.....	12	
Restatement of Law of Torts, Sec. 235(c) .....	13	
Restatement of Law of Torts, Sec. 757.....	26	
Wigmore on Evidence, Sec. 2590.....	24	



No. 15059

IN THE

**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

---

PANAVIEW DOOR & WINDOW Co., a corporation,

*Appellant,*

*vs.*

REYNOLDS METALS COMPANY, a corporation,

*Appellee.*

---

On Appeal From the United States District Court for the  
Southern District of California, Central Division.

Hon. Wm. C. Mathes, Judge.

---

**BRIEF FOR APPELLANT.**

---

**Introduction.**

This is an appeal from the final judgment denying the plaintiff any relief sought in the complaint. The suit was brought for breach of contract, breach of confidential relationship and unfair competition.

**Jurisdictional Statement.**

Jurisdiction of this suit in the District Court is conferred by 28 U. S. C., Section 1332 (62 Stat. 930, Act of Jan. 25, 1948) based on diversity of citizenship and the jurisdictional amount [Complaint, Par. I, II, R. 3-4; Ans., R. 9; Findings, R. 57].

A final judgment for defendant was entered December 20, 1955 [R. 63-64]. Timely objections to the proposed findings were filed December 15, 1955 [R. 41-56].

Plaintiff's notice of appeal was filed January 12, 1956, within the statutory period [R. 65]. Jurisdiction of this court is conferred under 28 U. S. C., Section 1291 (65 Stat. 726, Act of Oct. 31, 1951).

### Statement of the Case.

Mr. Grossman, the President of appellant, submitted the drawing, Exhibit 6, to the appellee through Mr. Kavich, a salesman for appellee, and at the time told him that the information submitted should be held in strict confidence [R. 94-95, 117-118, 120-121]. The appellee did not put Mr. Kavich on the stand in an attempt to controvert Mr. Grossman's testimony regarding the original submission of the drawing, Exhibit 6, to the appellee. An entry of "Patents Pending" appeared on each drawing [R. 457-458].

Appellee admitted, through its counsel, that the drawing, Exhibit 6, appeared to be the creation of Mr. Grossman [R. 96] and at no time did appellee establish that there was any publication to any one other than appellee of the drawing submitted in confidence to appellee.

After the submission of the drawing, appellee made extrusion drawings, Exhibits 8, H, J and K based on Exhibit 6 and delivered them to appellant for review [R. 10, 127, 148, 319, 392-397, 461-469].

Subsequently, customer orders were placed with appellee by appellant in the period from April 20, 1954 through February 23, 1955, the first shipments being made on October 5, 1954 and the last shipments being made on May 31, 1955 [Ex. 1, Stipulation, R. 39-40].

The contract was entered into on a printed form, drafted entirely by the appellee, the appellee agreeing to manufacture for appellant certain aluminum extrusions. This contract listed nine specific dies and listed a "Die Charge" for each die. The words "die charge" were typed or dittoed onto the printed form. The amount of each "die charge" was listed in a column bearing the printed designation, "Price" [Ex. 21, R. 254-255]. The total of the die charges was \$1430.00 [Stip. Ex. 1, R. 40] which was paid by appellant [R. 263]. Other pertinent parts of the printed form [Ex. 2, R. 91-92] read as follows:

"We [Reynolds Metals Company] acknowledge the receipt of your order and the above is an exact copy of our entry thereof. If there are any objections to the above, please notify us AT ONCE. If we do not receive such notice, it will be understood that you accept the basis on which we have entered your order and that fulfillment of the order will be undertaken and deliveries will be made under the terms and conditions of the contract evidenced by this acknowledgement. \* \* \*

#### "Terms and Conditions

"1. CONTRACT BETWEEN BUYER AND SELLER: This acknowledgement shall constitute the entire contract between Buyer and Seller with respect to the subject matter thereof, and said contract shall not be amended, modified or rescinded except by written agreement signed by an authorized official of each party, expressly referring to this contract. \* \* \*

"11. EQUIPMENT: Any equipment (including jigs, printing plates or cylinders, dies and tools, etc.) which Seller constructs or acquires specifically and solely for use on Buyer's order shall be and remain Seller's property and in Seller's sole possession and

control. Any charges made by Seller therefor shall be for the use of such equipment only. When Seller has not accepted orders from Buyer for product to be made with such equipment for a period of one year, Seller may then require Buyer to give disposition of the said equipment, and in the event such disposition is not given within thirty (30) days after such demand, Seller may without liability make such disposition as it sees fit or may store the equipment for the account of Buyer, charging Buyer for the storage charges \* \* \*

Using the appellant's drawings [Ex. 6; R. 392-399, 457], the appellee then made nine dies which were used on appellant's first and subsequent orders [R. 40-41]. Appellant had orders in effect with appellee for material requiring use of such dies at all times from April 20, 1954, to May 31, 1955 [R. 39-40], when the appellee made the last shipment to appellant [Ex. 21, R. 254; Ex. 1, R. 39-40, 336-337].

In September, 1954, without appellant's knowledge or consent, appellee accepted orders from Windsor Supply Company, appellant's chief customer, for certain processed extrusions, and appellee used the same dies to make such extrusions which it had manufactured specifically to fulfill appellant's first order of April, 1954 [R. 170, 182, 185].

In February, 1955, appellant learned that appellee was supplying extrusions to Windsor Manufacturing Company, a customer of appellants [R. 134]. The purchase orders directed from Windsor Manufacturing Company to appellee described the products supplied by appellee to Windsor Manufacturing Company as so many sets of KD Sliding Doors, which meant "Knocked-down" [Exs. 11-12; R. 171-172, 188-192]. Windsor Manu-

factoring Company was a direct customer of appellant until December, 1954 [R. 232, 237-238, 245].

The record shows that appellee knew that it was supplying extrusions for knocked-down sliding doors from dies manufactured in accordance with appellant's drawing [R. 32]. The Court took judicial notice of the fact that appellee was supplying essential components of the sliding door, without which the door could not be placed in a carton and shipped to a customer [R. 183], and it was stipulated that appellee shipped to Windsor Manufacturing Company component parts for five thousand (5,000) doors manufactured from the dies made by appellee to appellant's designs, as submitted originally by appellant to appellee in Exhibit 6 [R. 180].

During the period from January through May, 1955, appellee was selling parts made in accordance with appellant's drawing, Exhibit 6, to Windsor Manufacturing Company to the exclusion of appellant, and was, at the same time, sending incomplete and unbalanced shipments to appellant so that appellant could not complete its own sliding doors from parts being shipped to it [R. 259, 274]. Thus, appellant was being deprived of shipments to which it was entitled while appellee was profiting by its breach of trust and confidence in selling and shipping orders of extrusions and parts to Windsor Manufacturing Company. Moreover, the internal records of appellee showed that the orders were for component parts of sliding doors which bore the notation: "sliding doors, these are component parts so be sure and ship all sections at same time" [R. 255].

Thus, appellee aggravated the wrong of breach of trust by entering into competition with the appellant in the sale

of extrusions of appellant's design to the Windsor Manufacturing Company.

It was established, and not controverted by appellee, that late in 1954, when appellant was attempting to obtain back payments from the Windsor Manufacturing Company, Mr. McLin, an officer of Windsor, stated that he had another source of sliding doors [R. 232-238]. It is apparent from the record that the source was appellee. It should also be pointed out that during the period when appellant was being shipped incomplete and unbalanced orders, letters were written to appellee protesting such shipments [R. 300-301].

During the period when appellee was supplying Windsor Manufacturing Company, appellant was capable of producing fifteen hundred (1500) sliding doors per month without increasing its tooling or labor force [R. 273]. Actual production was only about seven hundred (700) sliding doors per month [R. 272-273]. Therefore, appellant could easily have produced the five thousand (5,000) doors which it was stipulated appellee sold to Windsor Manufacturing Company.

It was stipulated by appellee that parts were shipped by appellee to Windsor Manufacturing Company sufficient to make approximately five thousand (5,000) doors [R. 180] and that the total purchases by Windsor Manufacturing Company from appellee aggregated a dollar value of \$155,624.97, subject to check.

During this period, appellant's testimony established that the average cost per door manufactured by it was \$28.67, Exhibit 24 [R. 334], and that the average sales price was \$65.00, netting a profit of \$36.33 per door to appellant [R. 336]. Thus, the actual damage done to

appellant by appellee's breach of contract, breach of trust and confidence and unfair competition was in excess of \$150,000.00.

During the course of the proceedings in this case, prior to the trial, the defense shifted its ground several times, and their divergent positions are significant facts bearing on the good faith of their position and ultimate defense. A chronological analysis follows:

*Sept. 2, 1955.* Answer filed, verified, denied use of the dies [Par. X of Complaint alleged use of dies and was denied by Par. II of Ans. R. 10].

*Sept. 14.* Sargeant affidavit, that preliminary injunction would cause *irreparable injury* to appellee because extrusions of similar size and shape were being sold to "many other companies and industries" *but not admitting use of the dies made specifically for appellant* [R. 21].

*Sept. 15.* Hairston affidavit, that in processing the Windsor purchase order

"it was determined that the sections called for were the same as the sections produced for Panaview \* \* \* [and] our existing die tools \* \* \* which were previously used by us for Panaview \* \* \* were \* \* \* used by us to produce the extrusions called for by the Windsor order." [R. 32, italics supplied.]

*Nov. 17.* Stipulation:

"defendant used the existing die tools \* \* \* which had been previously used \* \* \* for plaintiff \* \* \* to produce the extrusions called for by the orders thereafter received from Windsor \* \* \* [R. 40-41].

Thus, the story switched from a sworn denial of using the dies, to a claim of irreparable injury if enjoined from using them, to an admission of use—all in a period of thirteen days.

An even more remarkable shift of position occurred in regard to the meaning and applicability of Paragraph 11 of the Printed Form. This evidence on this shift is discussed in detail under Point II of the Argument in this brief.

### Specification of Errors.

The Points on Appeal, as designated by appellant, appear on pages 455 and 456 of the Printed Record.

The errors may be summarized as follows:

1. As a matter of law, the Court below erred in not construing the contractual provision relating to equipment made "specifically and solely" for appellant's order, and providing for a "die charge" for such equipment, to be applicable to the dies actually made and for which "die charges" were provided in the contract itself.
2. The Court erred in holding that appellant had the burden of proving by a preponderance of the evidence that the contract provisions, if ambiguous, were applicable to the dies described in the contract.
3. The Court erred as a matter of law in holding that appellee had not breached trust and confidence, as to the drawings, submitted by appellant, and was not guilty of unfair competition in using said drawings and the information therein for its own account and profit in direct competition with appellant, inasmuch as all the evidence pointed, without conflict, to said breach and unfair competition.

### Summary of Argument.

On the contract count, appellant's argument is two-fold:

1. The printed term and condition in Paragraph 11 on the reverse of a form contract, being the only term or condition which refers to any charges for dies, and being applicable only to equipment or dies made "specifically and solely" for the order contained on the front side of the document, necessarily, and without ambiguity, is applicable to dies described on the front side and for which appellee made "die charges", specifically listed as such.
2. If, however, the Court sees any ambiguity in the document, drafted entirely by appellee, the doubt must be resolved in favor of appellant, especially since all the evidence introduced indicated that both parties regarded the printed "term and condition" as applicable.

On the other two counts, involving breach of confidential relations and unfair competition, the argument is five-fold:

1. A property right existed in appellant because of its creation of original designs for sliding doors submitted in confidence to appellee.
2. Confidential relationship may be implied from the acts of the parties and no express agreement need be made.
3. The public sale of articles made in accordance with confidential drawings did not destroy the confidential relationship between the parties as to the confidential drawings.
4. The essence of the wrong done by appellee lay in its breach of trust and misuse of confidential information submitted to it by appellant for its own profit.
5. Appellee unfairly competed by using confidential information to alienate appellant's customer and to engage in the sale of aluminum sliding door parts of appellant's design in competition with appellant.

## ARGUMENT.

### I.

#### The Printed Paragraph Providing for a Die Charge for Dies Constructed Specifically and Solely for Appellant Clearly Applied to the Die Charges Listed Elsewhere in the Contract.

The phrase "die charge" was used nine times in the contract [R. 254-255]. On the face of the appellee's "Acknowledgment Form", nine "die charges" were listed [R. 40, Par. 3]. On the reverse side of the "Acknowledgment Form", were certain "Terms & Conditions", which the front side incorporated by reference:

"We acknowledge the receipt of your order. If there are any errors in or objections to the above, please notify us AT ONCE. If we do not receive such notice, it will be understood that you accept the basis on which we have entered your order and *the fulfillment of the orders will be made under the terms and conditions of the contract evidenced by this Acknowledgment*" [R. 91] (Italics supplied).

Paragraph 11 of those terms and conditions, did not use the exact term "die charge." It said that:

"*Any charges* made by the seller therefor shall be for the use of such equipment only" [R. 4, 92, 430].

The term "therefor" referred to the first sentence of Paragraph 11, which said:

"*Any equipment (including jigs, printing plates or cylinders, DIES and tools, etc.) which Seller constructs or acquires specifically and solely for use on Buyer's Order shall be and remain Seller's property and in Seller's sole possession and control*" [R. 4, 92] (Italics supplied).

Appellant's position was and is that the nine "die charges" listed in the contract were necessarily tied in, by Paragraph 11 of the "Terms and Conditions", since they are within the class of "any charges" and the contract provides for no charges for equipment, dies, etc., except in Paragraph 11, which is limited to equipment "specifically and solely" made for use on Buyer's Order.

The trial court held that appellant had a burden to prove by a preponderance of the evidence, presumably parol evidence apart from the contract itself, that these dies were made "solely" for use on Buyer's Order [R. 58, Par. II, Findings].

Appellee conceded that the dies were made "specifically" for appellant [R. 430]:

"Mr. Duque: Your Honor, there is no question, and we do not evade the subject or argue it in any way, that the first set of dies originally made were made specifically to produce extrusions for Panaview. But there is a difference in the word 'specifically' and in the word 'solely'."

Appellant submits that no parol evidence was needed to establish the rather obvious tie-in of "die charge" in one part of the contract to "any charge" for "any equipment (including \* \* \* dies)" in another part of the contract. The contract speaks for itself.

Moreover, paragraph 1 of the terms and conditions, read as follows:

"This acknowledgment shall constitute the entire contract \* \* \*." [R. 92].

It would be repugnant to say that parol evidence was required under such a contract.

*Corpus Juris* states the applicable canon of construction in this manner:

“Words used in one sense in one part of a contract are as a general rule deemed to have been used in the same sense in another part of the instrument, where there is nothing in the context to indicate otherwise.”

13 C. J. 532.

The California Supreme Court has clearly enunciated this same rule:

“It is a familiar rule of construction that, other things being equal, words used in a certain sense in one part of an instrument are deemed to have been used in the same sense in another \* \* \*. The words ‘expiration of the term’ occur in two other parts of the lease, and it cannot be said to be clear that in either instance they were intended to convey a different meaning.”

*Pringle v. Wilson* (1909), 156 Cal. 313, 319, 104 Pac. 316, 24 L. R. A. (N. S.) 1090.

Interpretation must be reasonable. (Cal. Civ. Code, Secs. 1643 and 3542.) Which is the more rational: (1) that the “die charges” on the front side of the document are of the same nature as the “charges” provided for on the reverse side for “dies” if made “specifically and solely” for Buyer, or (2) that the “die charges” are “service fees” [Find. No. II, lines 12-13, R. 58] completely different in nature from the “charge” for “dies” mentioned on the reverse side, even though no such “service fee” or other type of charge is mentioned anywhere in the terms and conditions? Under a second view, adopted in the Findings, Paragraph 11 becomes a sort of “dangling participle” referring to nothing and binding no one, and the “service fee” on the front side applies to dies made “speci-

cally" for Buyer, even though no such type of charge is provided for in the "Terms and Conditions". Moreover, the seller apparently gets all the benefits of Paragraph 11, but none of its burdens—even though Seller was the draftsman.

It is submitted that the trial court has violated the rule that "a writing is interpreted as a whole" [Restatement of Contracts, Sec. 235(c)].\* As Circuit Judge Sanborn clearly stated the rule and its reason in *Pressed Steel Car Co. v. E. Ry. of Minn.* (8 C. C. A., 1903), 121 Fed. 609, 611:

"The intention of the parties must be deduced from the entire agreement and from all its provisions considered together, because, where a contract has many stipulations, it is plain that the parties understood and agreed that their intention was not expressed by any single part or provision of their agreement, but by *every part and stipulation, so construed as to be consistent with every other part and with the entire contract*" (Italics supplied).

The contract uses this "die charge" term nine times, and under a column marked "Price" lists a dollar figure for each die [R. 254, 255]. Nowhere does the contract purport to specify whether these *die charge prices* are a *sale*, or a *service fee* or what not—unless Paragraph 11 is applicable. It is submitted that it is reasonable to apply Paragraph 11, and that any other interpretation is without reason and plainly arbitrary.

---

\*Also Cal. Civ. Code, Sec., 1641: "The whole of a contract is to be taken together, so as to give effect to every part, if reasonably practicable, each clause helping to interpret the other."

As Mr. Justice Harlan said for a unanimous Court in *Neal v. Clark (Scruggs)* (1878), 95 U. S. 704, 708-709, 24 L. Ed. 586, 587:

“It is a familiar rule in the interpretation of written instruments and statutes that ‘A passage will be best interpreted by reference to that which precedes and follows it.’ So also, ‘The meaning of a word may be ascertained by reference to the meaning of words associated with it.’ In Broom, Leg. Max., p. 523, it is said: ‘It is a rule laid down by Lord Bacon, that *copulatio verborum indicat acceptationem in eodem sensu*, the coupling of words together shows that they are to be understood in the same sense.

\* \* \*

Likewise speaking for a unanimous Court, Mr. Chief Justice Fuller said, in *Burdon Central Sugar Co. v. Payne* (1897), 167 U. S. 127, 142, 17 S. Ct. 754, 42 L. Ed. 105, 110:

“We should remember that the contract must be so construed as to give meaning to all its provisions, and that that interpretation would be incorrect which would obliterate one portion of the contract in order to enforce another part thereof.”

Mr. Justice White well stated the rule in *O'Brien v. Miller* (1897), 168 U. S. 287, 297, 18 S. Ct. 140, 42 L. E. 469, 473:

“The elementary canon of interpretation is, not that particular words may be isolatedly considered, but that the whole contract must be brought into view and interpreted with reference to the nature of the obligations between the parties, and the intention which they have manifested in forming them.”

And in *Ladd v. Ladd* (1850), 8 How. 10, 28, 12 L. Ed. 967, 974, the Court said:

“By every sound rule of construction, an instrument should be interpreted by the context, so as if possible to give a sensible meaning and effect to all its provisions; and so as to avoid rendering portions of it contradictory and inoperative,\* by giving effect to some clauses to the exclusion of others.”

## II.

### If Ambiguous, the Contract, Drafted by Appellee, Should Be Construed in Favor of Appellant.

The trial judge apparently looked upon the contract as ambiguous. He found no tie-in between “charge” for “dies”, in Paragraph 11, and “Die Charge” as used elsewhere in the agreement. His comment on Paragraph 11 was:

“Well, I wouldn’t promote the lawyer who drafted that” [R. 405].

The judge further held that

“Plaintiff has failed to establish by a preponderance of the evidence that the dies in controversy were constructed ‘solely for use on Buyer’s order’ within the meaning of the contract” [Concl. of Law, No. I, R. 60].

It is submitted that such parol evidence would be admissible only if the contract is ambiguous or uncertain. (*Balfour v. Fresno Co.*, 109 Cal. App. 221, 41 Pac. 1062.) Certainly if the contract was clear, either that the nine “die charges” were or were not the same as the “die

---

\*The Lawyer’s Edition incorrectly prints this word as “imperative.”

charges" provided for in Paragraph 11, no parol evidence could be admitted. For example, if after each "die charge", the contract said "Par. 11 Applicable", or "Par. 11 not applicable", the contract would be clear to everyone.

Hence, the view below was that the contract was not clear on its face. If so, who has the burden of proof? Does it fall on the plaintiff, or does it fall on the one who drafted the document?

The California statute is clear:

"In cases of uncertainty, not removed by the preceding rules, the language of a contract should be interpreted most strongly against the party who caused the uncertainty to exist. \* \* \*"

*Civ. Code, Sec. 1654.*

The Court below has held that the phrase "Die Charge", as used nine times in the contract meant "Service fee." The Court said:

"It is also true that after said extrusion dies were manufactured by defendant, plaintiff paid to defendant a *service fee* for the use of said dies in the manufacture of extruded shapes therefrom" [R. 58] (Italics supplied).

This finding was made in the face of the following quoted stipulation and the other evidence hereinafter summarized:

"Defendant manufactured nine sets of die tools. A charge was made by defendant to plaintiff of \$1,-430.00, denominated on the invoices as 'Die Charge Prices', but the parties reserve the right to produce testimony as to the nature of such charge" [R. 40, Par. 3, Stipulation of Facts].

Now, what was the evidence on this subject, and which way did it preponderate?

It is respectfully submitted that *all the evidence* as to the die charges was that they were made *under and pursuant to Paragraph 11* which applied only to *dies made solely and specifically for Buyer!*

#### Judicial Admissions.

The appellee made numerous judicial admissions that Paragraph 11 governed the dies in this case. These started in an early stage of the proceeding when appellee was arguing that a twisted interpretation should be made of Paragraph 11 so that it would not restrict use of the dies by appellee. Appellee's General Sales Manager, Mr. William O. Yates, made an affidavit on September 15, 1955, in opposition to appellant's application for a preliminary injunction, stating:

“By written agreement with Panaview. \* \* \* the dies which we made were to remain the property of Reynolds Metals Company and under Reynolds Metals Company's sole possession and control, and Panaview simply acquired a priority on the use of the dies whenever its orders for extruded shapes were received by us” [R. 25].

No writing existed, except Paragraph 11, which provided for appellee to *own the dies* or for any reference to further *use of the dies*. Mr. Yates was clearly of the view that Paragraph 11 applied, and that the legal question was merely whether appellant had a priority or an exclusive use!

Mr. Yates further deposed that:

“If it had been the intention of Reynolds Metals Company to use dies exclusively for extruded shapes

for a particular buyer and for no other, it would have stated that *they would be used solely upon buyer's orders and for no others*" [R. 27] (Italics supplied).\*

In opposing the preliminary injunction, Messrs. Duque and Lydick filed a "Statement of Reasons", adopting the same position to which Mr. Yates had sworn:

"It is also the custom in the aluminum extrusion industry, and, *generally, as here, a matter of specific contract for all property rights in the dies, \* \* \* to vest in the extruder*" (Italics supplied).

The only *specific contract* to which counsel could possibly have reference is, of course, Paragraph 11 which vested in the appellee a limited title to dies made "specifically and solely" for the appellant's Order!

Moreover, the trial judge assumed that Paragraph 11 governed the title to the dies, and counsel for appellee made no objection or contrary argument. On page 405 of the Record, we find:

"The Court: Let's look at it this way: Is there any question but that the dies are the property *under the agreement*, of the defendant?" (Italics supplied).

At another point the Judge made this inquiry:

"The Court: Well, as I understand the defendant's contention, it is, *under Paragraph 11*, that notwithstanding the fact that plaintiff paid for the dies, that it is nonetheless the property of the defendant.

---

\*It is submitted that Mr. Yates' strange concept on draftsmanship, drawing a distinction between "solely upon buyer's order" and "solely upon buyer's orders and no others", even though successfully used to oppose an injunction, *pendente lite*, was so ridiculous that appellee was forced to abandon it and make its final argument on a different theory entirely!

Mr. Mahoney: That is correct, Your Honor.

The Court: *Is that a fair statement of the defendant's contention?*

Mr. Duque: *Yes, it is, your Honor.*" [R. 87] (Italics supplied).

At another point in the trial, appellee's counsel argued that the "practice" of appellee regarding use of dies was "brought home" to appellant by Paragraph 11 on the reverse of Exhibit 2 [See R. 343-345]:

"Mr. Duque: We have already shown that it was brought home to plaintiff, your Honor, by the introduction of Plaintiff's Exhibit No. 2.

The Court: *You are relying upon the written statements on the reverse side of the order, are you, the invoice?*

Mr. Duque: *I am relying on that; but I am trying to rebut any alleged other practice which may have lulled the plaintiff into a sense of security, or done something to them*" [R. 345] (Italics supplied).

Thus, both the evidence, and the concession of counsel in Argument, were that Paragraph 11 did apply *so far as title to the dies was concerned*. Yet nothing could be clearer than that it applied *only if the dies were made solely for Buyer!*

#### **Further Evidence.**

Additional evidence to support an inference that these dies were made "specifically and solely" for Panaview came from the files of appellee. Reynolds made nine drawings before it constructed the nine dies. On each drawing it had a printed entry space for "Customer", and inserted therein only "Panaview" [R. 461-469]. Is not that business record of appellee inconsistent with any inference

that the dies were also constructed for another "customer", including appellee's own "Parts Dept"? Is it not, indeed, inherently improbable, in view of all these admissions and business records, that these dies were constructed for any purpose other than "specifically and solely" for use on buyer's order?

Moreover, at the time these dies were made, appellant had "patents pending" and an entry thereof was made on the original drawings submitted to appellee [Ex. 6, R. 457-458, See R. 318, defense witness Meyer as to Ex. 6]. Mr. Grossman testified about the patent applications later being dropped [R. 150].

Surely appellee would not confess that it intended from the inception to take appellant's original drawings, make dies therefrom, collect die charges therefor, and then surreptitiously use the dies for itself or others, until a patent was actually issued? [But compare, claim of "custom", R. 25-27, later abandoned, R. 292]. The notice that a patent would be sought was strong notice that the designs were not in the public domain!

Further is the fact that appellant paid a substantial die charge for these dies [R. 40]. Although defendant claimed this was not the full cost of the dies [R. 343; but *Cf.* R. 56], appellant also bought thousands of dollars worth of extrusions made with such dies, and presumably defendant made a profit on those transactions. Would it be normal for a party to pay a \$1,430.00 die charge for another to make original dies according to an original design, if the maker of the dies was to own the dies and have an unrestricted right to use them for its own order or anyone else? [*Cf.* R. 414]. Would it not rather be the normal inference that the designer of dies, paying \$1,430.00 therefor, would assume that the

“Paragraph 11” on the reverse of his contract was “applicable” and that he got, not title, but the exclusive or sole use of the dies, until he got notice that a year had elapsed without use and he must give “disposition” of the dies? By way of further argument, we can cite the opinion of appellee’s own house counsel on the applicability of Paragraph 11 to all “die charges” made to the customer [R. 55-56]. Although appellee may not be bound by such opinions of its counsel in other situations, it is significant that its own counsel would render an opinion so at odds with its own present contention. At its very least, the contract must be somewhat ambiguous if its own counsel cannot consistently agree on its meaning.

Why was Paragraph 11 in the contract, if the only other reference to “die charges” therein was of an entirely different character? Who caused this uncertainty and misunderstanding?

#### Conduct of Parties.

In addition to the above evidence and concessions by counsel, the conduct of appellee argued strongly that it regarded appellant as having an interest in these dies under the contract. For example, counsel stated:

“Mr. Duque: Yes, sir, And we admit that other sets of dies identical to *the dies that were made for Panaview* were prepared by Reynolds Metals Company to produce extruded shapes identical to the Panador. \* \* \* We made the extruded shapes and component parts and sold them to Windsor. And then Windsor, using those component extruded parts and adding to them the other hardware and other things necessary to build the door, such as the glass and other hardware, took the extruded parts that we made for them, made a door and competed with Panador” [R. 85-86] (Italics supplied).

Counsel there conceded not only that these dies were *made for Panaview* but also that later other identical dies were made for Windsor.

Why would appellee bother to duplicate dies if it owned them outright with all rights to use them for anybody in the world, solely in its own discretion?

#### **Surrounding Circumstances.**

One of the circumstances\* between appellant and appellee was the prior practice by which *appellee had previously interpreted the dies made on similar purchase orders to be subject to the corresponding die-clause of the then existing acknowledgment form*. Appellee had, on occasion written letters to appellant asking whether dies should be destroyed or stored [R. 142-144]. The clause then in use, numbered 12, is found in Exhibit 5 [R. 110-A] and reads in pertinent part as follows:

“12. Equipment: Any equipment \* \* \* which Seller constructs or acquires *specifically* for use on Buyer’s order shall be and remain Seller’s property and in Seller’s sole possession and control, and any charges made by Seller therefor shall be for use of such equipment only. *All equipment will be used exclusively for the manufacture of products for Buyer.* When for a period of one (1) year no orders are accepted from Buyer for products to be made with such equipment, Seller may make such use or disposition thereof as it desires without liability to Buyer. Such equipment or any material owned or furnished by Buyer while in Seller’s possession will be carefully handled and stored by Seller, but Seller

---

\*In California law, the surrounding circumstances are always of importance, in order that the judge will be in the shoes of the parties when he makes his interpretation (Civ. Code, Sec. 1647; Code Civ. Proc., Sec. 1860; *Woodbine v. Van Horn* (1946), 29 Cal. 2d 95, 104, 173 P. 2d 17).

shall have no responsibility for loss or damage thereto. Tool charge designated estimates will vary in accordance with actual cost" (Italics supplied).

It was while such form was in use that appellant was directly advised that it had exclusive use of dies on which it paid die charges [R. 144-145]. This testimony was left undisputed and uncontradicted by appellee's witness, Sargeant [R. 71-21, 337-338].

It is readily apparent that the change from Paragraph 12 to the present Paragraph 11 involved primarily only form, not substance. The second sentence, italicized in the above quotation, was eliminated and the phrase "and solely" was inserted into the first sentence, after the word "specifically." It is submitted that no customers would perceive any change in the meaning of the two forms, and that only a Philadelphia lawyer could dream up the idea that some extraneous parol evidence is required to prove that dies made specifically as described on the front side of the agreement were subject to the only printed clause in the agreement which mentioned dies! No layman would ever think of such a technicality, and, of course, appellee made no explanation to the appellant, at the time it changed the clause. Indeed, appellee's own witness and house counsel gave interpretation consistent only with the clause being applicable in this case! [Compare R. 26-27, 55-56]. It is significant that Mr. Yates, who gave his *opinion* by affidavit on September 15, 1955, *before appellee changed its defense*, confirmed it and swore, at the trial, on November 22, 1955, that he had read his affidavit, and, to quote the record [R. 307]:

"Q. By Mr. Duque: You know its contents to be true and correct as of this date? A. That is correct.

Q. And you are willing to reaffirm the statements made therein under oath at this time? A. Yes, I am"

Law: Presumptions.

Under the California rule on presumptions, even if there were a presumption in favor of appellee which put the burden on appellant to establish that the dies were made under Paragraph 11, his presumption would have been dispelled by appellee's own "evidence \* \* \* inconsistent therewith," (*Smellie v. So. Pac. Co.*, 212 Cal. 540, 555, 299 Pac. 529).—here the evidence and claims by defense witnesses and counsel that Paragraph 11 did apply and gave appellee the right to do what it did.

Law: Judicial Admissions.

The law regarding judicial admissions is elementary, but it is necessary to discuss it here because defense counsel and the Court below seem to have ignored the rules altogether.

"The vital feature of a judicial admission is universally conceded to be its *conclusiveness* upon the party making it \* \* \*"

Wigmore on Evidence, Sec. 2590.

A 1919 case in the Seventh Circuit, in the field of unfair competition, held that

"In a real and legitimate controversy, a party should be left within the knot of his averments in pleadings and *admissions in testimony*, unless the Court can find an absolute demonstration from other evidence \* \* \* that under no circumstances could the averments and admissions be true." (Italics supplied).

*Larson Jr. Co. v. Wrigley, Jr. Co.*, 253 Fed. 914.

In *Hill v. Fed. Trade Com.* (1941), 124 F. 2d 104, 106, the Court said

“\* \* \* [I]t is fundamental that judicial admissions are proof possessing the highest probative value. Indeed, facts judicially admitted are facts established not only beyond the need of evidence to prove them, but beyond the power of evidence to controvert them.”

Appellant therefore submits that the overwhelming weight of the evidence—indeed, without any conflict—established that Paragraph 11 was applicable, and that appellee's own counsel and chief witness claimed the clause was applicable both before and during the trial.

### III.

#### **A Property Right Existed in Appellant Because of Its Creation of Original Designs for Sliding Doors Submitted in Confidence to Appellee.**

Counsel for the defense admitted the submission to it of designs which were the creation of appellant's officer [R. 96]:

“Mr. Duque: We do not dispute that an original drawing which was submitted was apparently his creation.”

The appellee admitted the receipt of the drawing, Exhibit 6, showing appellant's design and the making of the drawings, Exhibit H, therefrom.

It is evident, therefore, that the information transmitted by appellant to appellee was privately owned and was not intended for public distribution but was submitted to appellee to permit it to fabricate dies so that it could supply extrusions to appellant and make a profit by supplying the extrusions.

The aggravation of the wrong done by appellee lies in the fact that it was permitted to have access to appellant's secret so that it could make a profit from appellant and then, while making such a profit, breached its trust with appellant, stole its customer, and entered into competition by selling extrusions of appellant's design to appellant's customer.

The principles of law applicable are well settled and are well stated in Section 757 of the Restatement of Torts as follows:

“One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if: \* \* \*

‘2. his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him’.”

It has been held that a trade secret, whether a secret formula, process or otherwise, is property, with power to make use of it to the exclusion of the world. *Herold v. Herold China & Pottery Co.* (C. C. A. 6, 1919), 257 Fed. 911, 913.

In *Holley v. Hunt* (1936), 13 Cal. App. 2d 335, 56 P. 2d 1240, the court clearly stated the property right in trade secrets and confidences as follows:

“It is simply a controversy to prevent appellants from wrongfully using to their own advantage and to respondent's detriment information and ideas which they had received from the latter while manufacturing the metal toe protectors for him” (p. 336).

As stated in *Morrison v. Woodbury*, 105 Kan. 617, 185 Pac. 735:

“The law recognizes property rights in trade secrets and confidences, and a court of equity may, when jurisdiction is properly invoked, enjoin one in whom confidence has been reposed from divulging it to third persons or from taking advantage of it himself to the injury of the owner.”

In *John T. Lloyd Laboratories, Inc. v. Lloyd Bros. Pharm.* (C. C. A. 6, 1942), 131 F. 2d 703, 707, the court stated:

“It is true that secret formula and processes are property rights which should be protected by injunction against those who attempt to disclose or use them in violation of confidential relationships.”

There is no necessity that a trade secret rise to the level of invention, but merely that the secret be the product of the mind of the creator unknown to the one who accepts the information in confidence and ultimately breaches the confidence. In *A. O. Smith Corp. v. Petroleum Iron Works Co.* (C. C. A. 6, 1934), 73 F. 2d 531, the court held:

“The mere fact that the means by which a discovery is made are obvious, that experimentation which leads from known factors to be ascertainable but presently unknown result may be simple, we think cannot destroy the value of the discovery to one who makes it, or advantage the competitor who by unfair means, or as the beneficiary of a broken faith, obtains the desired knowledge without himself paying the price in labor, money or machines expended by the discoverer.”

IV.

Confidential Relationship May Be Implied From the  
Acts of the Parties and No Express Agreement  
Need Be Made.

Appellant submitted a drawing, Exhibit 6, in confidence to appellee. Appellee made dies from the drawing and used the dies to its own profit and appellant's disadvantage. Appellee attempted to defend its position on the ground that there had been no express statement that the drawing was to be kept in confidence. It is well established, even in the absence of an express agreement, a confidential relationship will be implied from the acts of the parties to the relationship. In *Hoeltke v. C. M. Kemp Mfg. Co.* (C. C. A. 4, 1935), 80 F. 2d 912, 923, the court held:

“Where . . . an invention is disclosed to one who, in breach of confidence thus reposed manufactures and sells articles embodying the invention, such person should be held liable for the profits and damages resulting therefrom, not under the patent statutes, but upon the principle that equity will not permit one to unjustly enrich himself at the expense of another.

“While there was no express agreement that defendant was to hold the information so disclosed as a confidential matter and to make no use of it unless it should purchase the invention, we think that in equity and good conscience such an agreement was implied; and having obtained the disclosure under such circumstances, defendant ought not be heard to say that there was no obligation to respect the confidence thus reposed in it.”

Despite the absence of an express promise to keep information confidential, one may be implied when the

sole purpose of the disclosure is to enable the defendant to consider whether it wants the business.

*Smith v. Dravo Corp.* (C. C. A. 7, 1953), 203 F. 2d 369, 377;

*Ackerman v. Gen. Motors* (C. C. A. 4, 1953), 202 F. 2d 643, 646 (per Parker, C. J.)

*Consol. Boiler v. Bogue Elec. Co.* (1948), 141 N. J. Eq. 550, 55 A. 2d 759.

It is, of course, well established that the submission of drawings to a potential purchaser or manufacturer can create a confidential relationship. In *Booth v. Stutz Motor Car Co.* (C. C. A. 7, 1932), 56 F. 2d 962, 968, Booth submitted layouts to Stutz of a new design of car and Stutz used the layouts in a car without compensating Booth. The court held as follows:

“To the extent, therefore, that the Booth plans, communicated in confidence to Stutz did enter into the design of the Stutz car, Stutz did inequitably appropriate those plans and should account to Booth therefor.”

Appellee also argued that it had not disclosed the information which was presented to it by appellant to any one else, but this is not the wrong of which appellant complains. The wrong complained of was the misuse of the information by taking dies made in accordance with appellant's drawing and using them to appellant's disadvantage and in competition whereby appellee supplied appellant's own customer \$150,000.00 worth of parts.

In *Smith v. Dravo*, *supra*, 203 F. 2d 369, 377, the defendant had used information acquired from plaintiff in designing its own product, and an injunction was ordered.

V.

The Public Sale of Articles Made in Accordance With Confidential Drawings Did Not Destroy the Confidential Relationship Between the Parties as to Such Drawings.

Appellee defended the charge of breach of confidential relationship upon the ground that the sliding doors manufactured in accordance with the drawing of appellant were sold in the open market and that any one could copy the doors with impunity. However, it was established, as a matter of judicial notice, that it would be a time-consuming, expensive, and laborious procedure to make copies of the doors, then make dies from the doors and manufacture extrusions from the dies [R. 132-134].

“Q. Now, Mr. Grossman, if you, as a manufacturer of aluminum sliding doors consisting largely of aluminum extrusions, were to attempt to make a copy of an aluminum-frame-and-sash sliding door such as the Panador, would this be a simple task?

A. It wouldn’t.

Mr. Duque: I object on the grounds that it is incompetent, irrelevant, and immaterial; conjectural; and has no bearing on any of the issues in this case, what Mr. Grossman might do as a manufacturer if he were to take down somebody else’s doors.

The Court: What is the purpose of it?

Mr. Mahoney: The purpose of this question, your Honor, is to show that it would not be a simple task for anybody to take a structure of the relative complexities that this consists of, as it does, of numerous extrusions, to measure up each extrusion without the knowledge behind it that goes to make up the working assemblage and easily and quickly get into the market in competition with the manufacturer orig-

inally manufacturing the device—that this would be a time-consuming, expensive, and laborious procedure.

The Court: You mean to someone starting—

Mr. Mahoney: From scratch.

The Court: I don't think you need any evidence on that. It would be a matter of common knowledge, wouldn't it?

In the first place, someone would have to produce the drawings and then someone would have to produce the dies and then you would have to get in production with it.

Mr. Mahoney: Well, your Honor, if the defendant wishes to stipulate to that. This is a subject—

The Court: Well, even if they refuse to stipulate to it, I would assume it was so."

The significance of this judicial notice is the fact that if appellee had not had recourse to the dies made from appellant's drawing, it would have been unable to supply extrusions for the doors to the customer of appellant in sufficient time to permit the customer of appellant to avoid purchasing doors from appellant. Thus, the position of the Court clearly establishes that it was the position of trust and confidence which appellee assumed that permitted it to ruthlessly appropriate the business of appellant and to breach, in a most inequitable and unfair manner, its fiduciary obligation to appellant.

In *Board of Trade v. Christie Grain & Stock Co.*, 198 U. S. 236, 25 S. Ct. 637, 639, 49 L. Ed 1031, the plaintiff collected stock quotations, which it furnished its customers. Said Mr. Justice Holmes of its tabulation:

"It stands like a trade secret. The plaintiff has the right to keep the work which it has done, or paid

for doing to itself. The fact that others might do similar work, if they might, does not authorize them to steal the plaintiff's."

It has been held that the fact that a defendant which breached its relation of trust and confidence might have obtained the confidential information elsewhere is immaterial where defendant used the confidential information to implement its breach of trust. In *Frank v. Wiltschek*, 209 F. 2d 493 (C. A. 2, 1953), there was involved a situation where a plaintiff developed a process of making perfumed face cloths. The plaintiff hired salesmen to sell the face cloth and they were shown the secret process to familiarize themselves with the product. The Court held that by this disclosure the salesmen incurred a duty not to use such information to the detriment of the inventor. The Court further held that the plaintiff was entitled to an accounting even though the salesmen could have obtained information on the secret process from a study of an expired patent and the inventor's publicly marketed product, in the following language:

"Defendants argue that the heart of plaintiff's process was revealed by an expired patent, and that the improvements were unpatentable applications of mechanical skill. This totally misconceives the nature of plaintiff's right. Plaintiffs do not assert, indeed cannot assert, a property right in their development such as would entitle them to exclusive enjoyment against the world. Theirs is not a patent, but a trade secret. The essence of their action is not infringement but breach of faith. It matters not that the defendants could have gained their knowledge from a study of the expired patent and the plaintiffs pub-

licly marketed product. The fact is that they did not. Instead they gained it from plaintiffs via their confidential relationship, and in so doing incurred a duty not to use it to plaintiffs' detriment. Their duty they have breached."

A similar holding is found in *Sketchley v. Lipkin* (1950), 99 Cal. App. 2d 849, 854, 222 P. 2d 927, where the Court held:

"Thus by the cited authorities it is established that the owner of an unpatented device is protected against the piracy of his invention because it is his own by virtue of being the original product of his mind. But the strong arm of equity reaches even further. When a contractee has gained an intimate knowledge of such an invention by virtue of an agreement to use it according to specified terms and thereafter repudiates the agreement, the contractor will be awarded injunctive relief to prevent the use of such knowledge of his secret process or invention so gained from him by his contractee."

It is apparent that the Court clearly realized the fact that the appellee did not resort to the publicly sold product, but relied on the information received from appellant in confidence. The Court's recognition of the difficulties that would have been encountered if the publicly sold product had been used is in complete accord with the leading case of *Tabor v. Hoffman* (1889), 118 N. Y. 30, 23 N. E. 12, which was a suit to restrain the defendant from using certain patterns surreptitiously copied from patterns belonging to the plaintiff and used by the plaintiff in making a rotary pump where it was conceded that the pump was on the market. The point advanced and sustained

by the Court was that, since plaintiff had discovered means in its patterns which clearly aided in the manufacture of pumps and he had not purchased the patterns, he was entitled to preventive remedies. The Court pointed out that the size of the patterns could not be discovered by merely measuring the different parts of the pump since various allowances for shrinkage and expansion were required which could only be ascertained by a series of experiments involving the expenditure of both time and money. In its holding, the Court stated:

“The size of the patterns cannot be discovered by merely using the different sections of the pump but various changes must be made, and those changes can only be ascertained by a series of experiments, involving both the expenditure of time and money. Are not the size and shape of the patterns, therefore, a secret which the plaintiff has not published, and in which he still has an exclusive property?”

Also in accord is the case of *Smith v. Dravo* (C. C. A. 7, 1953), 203 F. 2d 369, 379, holding it is no defense to an unfair competition case of this nature that defendant could have gained knowledge of his competitor's product by lawful means, and thus duplicated it, if *in fact* the information was submitted in confidence and then used by the defendant for its own advantage and account, without the trouble and delay incident to the inspection and analysis and other steps usually necessary to duplicate an unpatented product.

VI.

**The Essence of the Wrong Done By Appellee Lay in Its Breach of Trust and Misuse of Confidential Information Submitted to It by Appellant for Its Own Profit.**

There was no proof in the record that the appellee actually made drawings from the door which was allegedly submitted to the appellee by Windsor Manufacturing Company. As stated in the affidavit of Harry M. Sargeant, Exhibit C [R. 19-20].

“Subsequent to this luncheon meeting, Windsor submitted to us a sample sliding door which they were selling to W. P. Fuller & Co. The door was dismantled by our manufacturing people and the component parts which we were to make were priced by us on that basis according to the sample which had been submitted. Along with the sample of the sliding door, Windsor also submitted samples of their sliding window, as well as samples for tub enclosures and shower doors. In accordance with our custom, I then prepared quotations for each component that we were to supply, as well as a quotation to cover the tooling costs at our Parts Division plant in Phoenix, Arizona. The quotations were submitted to Windsor and thereafter they placed an order with us for the manufacture of the aluminum components to be assembled by them in the manufacturing of the Windsor sliding door.”

Further, the affidavit of James M. Hairston clearly stated that the extrusion division merely received orders for extrusions from the parts division [R. 32]:

“Some time during the month of November, 1954, we received through the Parts Division Plant of the

Reynolds Metals Company at Phoenix a production order for the manufacture of extrusions to be further fabricated by the Parts Division Plant and, in turn, shipped to Windsor Supply, Inc., as fabricated parts. The material required by this production order was to be manufactured under eight new extrusion section numbers, numbers 13250 through 13257, inclusive. In the processing of this production order, it was determined that the sections called for were the same as the sections as produced for Panaview. Therefore, following the normal and customary usage and practice of not only Reynolds Metals Company, but to the best of my knowledge of the extrusion industry generally, our existing die tools made under 'T' orders, numbered 3318 through 3325, inclusive, which had been previously used by us in producing extruded shapes, numbered 10414 through 10421, inclusive, for Panaview, were now used by us to produce the extrusions called for by the Windsor order."

At no time during the trial did appellee produce any evidence that the parts of appellant's door submitted to it by Windsor Manufacturing Company had been measured and drawn by appellee on behalf of Windsor Manufacturing Company.\* As stated in the affidavit of Mr. Hairston, the dies designed from appellant's drawing were immediately used for appellee to produce extrusions for Windsor. The tremendous unfair advantage achieved by the appellee in this regard is evidenced by the fact that it was able to supply extrusions to Windsor immediately, whereas, appellant was compelled, on its first order, to wait from April 20, 1954 to October, 1954 [R. 39].

---

\*The burden of proof is on defendant to establish that its construction was the result of independent effort. Parker, C. J., in *Ackermans v. General Motors* (C. C. A. 4, 1953), 202 F. 2d 642, 646.

VII.

**Appellee Unfairly Competed by Using Confidential Information to Alienate Appellant's Customer and to Engage in the Sale of Aluminum Sliding Door Parts of Appellant's Design in Competition With Appellant.**

A defense made by appellee to appellant's charge of unfair competition was that the appellee was not at any time in competition with the appellant because the appellee only sold the extrusions for the sliding doors to appellant's customer and did not sell the incidental hardware that went into the sliding door. However, it was established that appellee supplied the Windsor Manufacturing Company with component parts for five thousand (5,000) doors and the Court clearly stated this stipulation in the record [R. 182]:

“The Court: Now, except for the parts that Mr. Oldenkamp mentioned in this last answer, is it stipulated that from September, 1954, to date the Windsor Company has purchased from the Reynolds Company, and the Reynolds Company has supplied the Windsor Company with component parts for approximately 5,000 doors?

Mr. Mahoney: Yes, your Honor.

The Court: So stipulated by the defendant?

Mr. Duque: So stipulated, Your Honor.

The Court: Very well.”

Furthermore, the Court took judicial notice of the fact that if appellee had not supplied essential components of the sliding door designed by appellant to Windsor, the former customer of appellant could not have shipped sliding doors to a customer [R. 183]:

“Mr. Mahoney: Well, then, your Honor will take it as a matter of judicial notice that Reynolds

Metals Company was supplying essential components of the sliding door, which lacking, the door could not be placed in a carton and shipped to a customer.

The Court: That would be correct, would it not, Mr. Oldenkamp?

The Witness: That's right.

The Court: The witness so states."

It was also stipulated that a total sum of parts sufficient to make in excess of five thousand (5,000) doors was supplied by appellee to the former customer of appellant's [R. 180]:

"The Court: How many of these knocked-down door parts did you buy from Reynolds Metals Company?

The Witness: There was a tabulation made yesterday, and I didn't see the total. All I saw was the scratch sheet that showed the number of doors that were involved.

Mr. Mahoney: The total—and this is an approximate total—number of sets of doors which were ordered was 5,712. And there were shipped 4,929.

And there is an indication that there was also shipped an additional 364, which would bring the total well over 5,000.

The Court: Well, are you willing to stipulate that Windsor purchased from Reynolds the parts which when assembled would approximate 5,000 completed doors?

Mr. Duque: I can't stipulate to that, your Honor. I can stipulate that Reynolds shipped to Windsor milled extruded shapes in bulk which, when put together with other component parts which were purchased from other people and which they packaged, made up approximately 5,000 doors."

It is submitted that by so doing, appellee competed unfairly with its own customer, the appellant, and used unfairly the knowledge which it had gained from its relationship with its own customer, the appellant, to the severe damage and injury to appellant.

Moreover, it is well established that there need be no direct competition between appellee and appellant to sustain a judgment of unfair competition. In *Sunbeam Furniture Corp. v. Sunbeam Corp.*, 191 F. 2d 141, 144 (C. A. 9, 1951), the Court held as follows:

“It is true that actual competition, while an important factor to consider, is not a necessity to the granting of relief.”

See also:

*Winfield v. Charles* (1946), 77 Cal. App. 2d 64, 70. 175 P. 2d 516.

### Conclusion.

The judgment below should be reversed with instructions to enter judgment for a permanent injunction against appellee's use of the dies, or any dies made with information from appellant's drawings, for appellee's own account or for third parties, and awarding appellant damages for breach of contract, breach of confidential relations and unfair competition, in the amount of one hundred and fifty-thousand dollars.

Respectfully submitted,

MACBETH & FORD,

THOMAS P. MAHONEY,

PATRICK H. FORD,

*Attorneys for Appellant.*

